IGI FINEX SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

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A·F·FERGUSON&Co.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **IGI Finex Securities Limited ('the Company')** as at December 31, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the six months then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the period was for the purpose of the Company's business;

   (iii) the business conducted, investments made and the expenditure incurred during the six months period were in accordance with the objects of the Company ; and

   (iv) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the six months period then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

A F Ferguson & Co

Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: April 2, 2018
Karachi

IGI FINEX SECURITIES LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	December 31, 2017	June 30, 2017
		---------------- Rupees	--------------
ASSETS			
Non-current assets			
Fixed assets			
- Property and equipment	5	24,581,241	21,060,253
- Intangible assets	6	11,487,620	11,552,703
Long term investments	7	35,906,547	41,164,238
Long term deposits	8	6,954,664	27,934,664
Deferred tax asset - net	9	61,796,536	75,806,437
		140,726,608	177,518,295
Current assets			
Trade debts - net	10	91,777,851	98,801,435
Current maturity of long term loan	11	69,859,738	69,859,738
Loans and advances	12	2,500,788	1,440,420
Trade deposits and short term prepayments	13	239,864,617	214,121,352
Accrued mark-up - net	14	22,268,226	21,456,620
Other receivables - net	15	5,816,319	11,959,813
Taxation recoverable		50,450,567	50,823,964
Cash and bank balances	16	272,533,136	464,842,770
		755,071,242	933,306,112
TOTAL ASSETS		895,797,850	1,110,824,407
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
60,000,000 ordinary shares of Rs. 10/- each (June 2017: 60,000,000 ordinary shares of Rs. 10/- each)		600,000,000	600,000,000
Issued, subscribed and paid-up share capital	17	520,000,000	520,000,000
Accumulated losses		(796,866,730)	(767,945,447)
Unrealised gain on revaluation of available-for-sale investments		35,906,147	41,163,838
Advance against issue of preference shares	18	650,000,000	650,000,000
		409,039,417	443,218,391
Current liabilities			
Trade and other payables	19	486,758,433	667,606,016
TOTAL EQUITY AND LIABILITIES		895,797,850	1,110,824,407
CONTINGENCIES	20		

The annexed notes from 1 to 32 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	Note	Six months ended December 31, 2017	Year ended June 30, 2017
		------------- Rupees	-------------
Operating revenue	21	44,296,952	168,703,967
Other operating revenue	22	13,765,922	29,732,865
Gain on sale of investments - net		-	68,645,217
		58,062,874	267,082,049
Administrative and operating expenses	23	(65,691,421)	(159,380,324)
Financial charges		(250,877)	(595,769)
		(7,879,424)	107,105,956
Other income	24	184,309	1,944,952
		(7,695,115)	109,050,908
Reversal of provision / (provision) against trade debts	10.2	2,349,819	(3,052,130)
Impairment on Intangible assets	6	-	(4,000,000)
(Loss) / profit before taxation		(5,345,296)	101,998,778
Taxation - current	25	(7,914,047)	(11,409,250)
- prior		(1,652,039)	-
- deferred		(14,009,901)	(7,239,615)
		(23,575,987)	(18,648,865)
(Loss) / profit after taxation		(28,921,283)	83,349,913
(Loss) / earnings per share - basic and diluted	26	(0.56)	1.60

The annexed notes from 1 to 32 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	Six months ended December 31, 2017	Year ended June 30, 2017
	---------------- Rupees	--------------
(Loss) / profit after taxation	(28,921,283)	83,349,913
Items that may be reclassified to profit and loss account subsequently:		
(Deficit) / surplus on revaluation of available for sale investments - net	(5,257,691)	41,163,838
Total comprehensive (loss) / income for the year	(34,178,974)	124,513,751

The annexed notes from 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	Note	Six months ended December 31, 2017	Year ended June 30, 2017
		---------------- Rupees	--------------
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit after taxation		(5,345,296)	101,998,778
Adjustments for non-cash items			
Depreciation - property and equipment	5	2,928,166	6,067,551
Amortisation / impairment	6	65,083	4,073,351
Gain on disposal of property and equipment	24	(103,714)	(193,662)
Reversal of provision / (provision) against trade debts	10.2	(2,349,819)	3,052,130
Gain on sale of long term investment - net		-	(68,645,217)
Dividend income	22	(320,591)	(862,800)
Profit on savings accounts	22	(5,197,950)	(12,419,929)
Income on deposit with Pakistan Stock Exchange Limited	22	(3,625,933)	(5,785,275)
Income on deposit with Pakistan Mercantile Exchange Limited	22	(38,240)	(80,839)
Income on term loan	22	(2,911,889)	(5,756,923)
Financial charges		250,877	595,769
		(11,304,010)	(79,955,844)
		(16,649,306)	22,042,934
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		9,373,403	(44,174,420)
Loans and advances		(1,060,368)	479,048
Trade deposits and short-term prepayments		(25,743,265)	(65,857,666)
Other receivables		6,143,494	(673,640)
		(11,286,736)	(110,226,678)
(Decrease) / increase in current liabilities			
Trade and other payables		(180,847,583)	314,525,764
		(208,783,625)	226,342,020
Finance cost paid		(250,877)	(595,769)
Income tax paid		(9,192,689)	(22,710,886)
Net cash (used in) / generated from operating activities		(218,227,191)	203,035,365
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property and equipment		(6,856,003)	(10,011,590)
Payment for purchase of intangible assets		-	(350,500)
Proceeds on sale of long term investments		-	52,041,273
Proceeds on disposal of property and equipment		510,563	2,361,680
Long-term deposits		20,980,000	(7,500,264)
Dividend received		320,591	862,800
Interest received on saving accounts / exposure deposits		10,962,406	15,312,820
Net cash generated from investing activities		25,917,557	52,716,219
Net (decrease) / increase in cash and cash equivalents		(192,309,634)	255,751,584
Cash and cash equivalents at the beginning of the period		464,842,770	209,091,186
Cash and cash equivalents at the end of the period	27	272,533,136	464,842,770

The annexed notes from 1 to 32 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up share capital	Advance against issue of preference shares	Unrealised gain on revaluation of available-for-sale investments	Accumulated losses	Total
	(Rupees)				
Balance as at July 1, 2016	520,000,000	650,000,000	-	(851,295,360)	318,704,640
Total comprehensive income					
Profit after taxation for the year ended June 30, 2017	-	-	-	83,349,913	83,349,913
Other comprehensive income	-	-	41,163,838	-	41,163,838
Total comprehensive income for the year	-	-	41,163,838	83,349,913	124,513,751
Balance as at July 1, 2017	520,000,000	650,000,000	41,163,838	(767,945,447)	443,218,391
Total comprehensive loss for the period					
Loss after taxation for the six months ended December 31, 2017	-	-	-	(28,921,283)	(28,921,283)
Other comprehensive loss	-	-	(5,257,691)	-	(5,257,691)
Total comprehensive loss for the period	-	-	(5,257,691)	(28,921,283)	(34,178,974)
Balance as at December 31, 2017	520,000,000	650,000,000	35,906,147	(796,866,730)	409,039,417

The annexed notes from 1 to 32 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 IGI Finex Securities Limited (the Company) was incorporated in Pakistan on June 28, 1994 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Suite No. 701-713, 7th Floor, the Forum, G-20, Khayaban-e-Jami, Block-9, Clifton, Karachi. The Company has a Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited and is a corporate member of Pakistan Mercantile Exchange Limited.

The principal activities of the Company include shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services.

During the current period, the Scheme of Amalgamation (the Scheme) entailing amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited w.e.f. the close of business of December 31, 2016 was sanctioned by the Honourable High Court of Sindh vide its order dated December 16, 2017. Further, the name IGI Insurance Limited was changed to IGI Holdings Limited in accordance with the Scheme. Pursuant to the sanction of the Scheme, the Company has become a wholly owned subsidiary of IGI Holdings Limited (formerly IGI Insurance Limited).

2 CHANGE OF FINANCIAL YEAR OF THE COMPANY

During the current period, the financial year of the Company has been changed from June to December. Accordingly, these financial statements cover the period from July 1, 2017 to December 31, 2017. This change has been made in order to align the Company's financial year with the financial year of its Holding Company.

The corresponding figures shown in these financial statements pertain to the year ended June 30, 2017. Therefore, the corresponding figures are not comparable.

3 BASIS OF PREPARATION AND MEASUREMENT

3.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, and the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

The Companies Act, 2017 (the Act) has been enacted on May 30, 2017 superseding the Companies Ordinance, 1984. Subsequent to the promulgation of the Act, the SECP through a circular dated October 04, 2017 has allowed companies whose financial year closes on or before December 31, 2017 to prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the financial statements of the Company for the year ended December 31, 2017 have been prepared in accordance with the provisions of the Companies Ordinance, 1984. The management of the Company is currently in the process of assessing the impact of the provisions of the Act on the financial statements of the Company.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3.3 New and amended standards and interpretations that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
- IFRS 9 – Financial Instruments: Classification and Measurement	01 July 2018
- IFRS 15 – Revenue from Contracts with Customers	01 July 2018

The management is currently in the process of assessing the impact of these IFRS on the financial statements of the Company.

There are certain other new and amended standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or will not have any significant effect on the Company's financial statements and are therefore not detailed in these financial statements.

3.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement".

3.5 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.6 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Determination and measurement of useful life and residual value of fixed assets (notes 4.1.1 and 5);
ii) Amortisation of intangible assets (notes 4.1.2 and 6);
iii) Impairment of non-financial assets (note 4.2);
iv) Classification and valuation of investments (notes 4.3 and 7);
v) Provision against doubtful debts and other receivables (notes 4.7, 10, 14 and 15); and
vi) Income taxes (notes 4.10, 9 and 25).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Fixed assets

4.1.1 Property and equipment

These are stated at cost less accumulated depreciation or accumulated impairment losses, if any, except for capital work-in-progress which is stated at cost less accumulated impairment losses, if any. The cost of an item of fixed assets comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation on all fixed assets is calculated using the straight line method in accordance with the rates specified in note 5 to these financial statements after taking into account residual values, if significant. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the date the asset is available for use. For any disposal, depreciation is charged till the date of disposal.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

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Gains or losses arising from derecognition of a fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss account when the asset is derecognised.

4.1.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method taking into account residual value, if any, at the rates specified in note 6 to these financial statements. Amortisation is charged from the date the asset is available for use while in the case of assets disposed of, it is charged till the date of disposal. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortised. However, the carrying amount is reviewed at each balance sheet date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Intangible assets exchanged for a non-monetary asset or assets, or a combination of monetary and non-monetary assets is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measureable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the assets given up.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss account when the asset is derecognised.

4.1.3 Investment property

Investment properties are properties held to earn rentals and / or capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. Investment property transferred from owner-occupied properties is recognised at its carrying amount on the date of transfer. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to profit and loss account applying the straight-line method. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains or losses on disposals of investment property are taken to the profit and loss account in the period in which they arise.

Repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

4.2 Impairment of non-financial assets

The carrying amounts of the Company's assets other than deferred tax asset and intangible assets with indefinite useful life, are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.3 Financial assets

4.3.1 Classification

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement' at the time of purchase of investment. The financial assets of the Company are categorised as follows:

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a) **Financial assets 'at fair value through profit or loss - held for trading'**

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss - held for trading'.

b) **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) **Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

d) **Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, (b) loans and receivables or (c) held to maturity investments.

4.3.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

4.3.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets 'at fair value through profit or loss - held for trading'. Financial assets 'at fair value through profit or loss - held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

4.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets classified by the management as financial assets 'at fair value through profit or loss - held for trading' and available for sale that comprise of equity securities are valued on the basis of quoted market prices. Loans and receivables are carried at amortised cost. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment, if any.

Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

Net gains and losses arising on changes in the fair value of financial assets 'at fair value through profit or loss - held for trading' are taken to the profit and loss account.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in other comprehensive income is transferred to the profit and loss account.

4.3.5 Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is reclassified from other comprehensive income to profit and loss account.

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If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised on equity instruments are not reversed through profit and loss.

4.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.4 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

4.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.6 Securities under repurchase / resale agreement

Transactions of sale under repurchase (repo) of securities are entered into at contracted rates for specified periods of time. These securities are not derecognised from the financial statements and are continued to be recognised as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as interest / mark-up expense and accrued over the life of the repo agreement.

Transactions of purchase under resale (reverse-repo) of securities are entered into at contracted rates for specified periods of time. These securities are not recognised in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these arrangements are included in the financial statements as receivable against reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the life of the reverse-repo agreement.

All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset.

4.7 Trade debts and other receivables

Trade debts are recognised initially at invoice value and subsequently measured at cost, less provision for impairment. A provision for impairment for trade debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable.

4.8 Trade and other payables

Liabilities for trade and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to be Company.

4.9 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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4.10 Taxation

4.10.1 Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under normal tax regime after taking into account tax credits and rebates available, if any, or on turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of Income Tax Ordinance, 2001, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they will be reversed, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

4.11 Revenue recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Brokerage, consultancy and advisory fee, commission on commodity contracts and government securities etc. are recognised as and when such services are rendered.

- Income from reverse repurchase transactions, debt securities, loans and bank deposits is recognised at effective yield on time proportion basis.

- Dividend income is recorded when the right to receive the dividend is established.

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Unrealised capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

4.12 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends and transfers are approved.

4.13 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks in current and savings accounts, term deposits, short-term running finances under mark-up arrangements and other short-term highly liquid investments with original maturities of three months or less.

4.14 (Loss) / earnings per share (EPS)

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5 PROPERTY AND EQUIPMENT

	December 31, 2017						
	Renovation of office premises	Furniture and fixtures	Office equipment	Communica-tion equipment	Computer equipment	Motor vehicles	Total
	Rupees						
As at July 1, 2017							
Cost	18,652,508	3,050,226	3,558,239	4,244,107	24,154,709	20,527,799	74,187,588
Accumulated depreciation	15,578,606	2,357,109	2,889,906	3,949,426	21,713,909	6,638,379	53,127,335
Net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
Six months ended December 31, 2017							
Opening net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
Additions	-	318,000	-	35,000	321,800	6,181,203	6,856,003
Disposals - note 5.1							
Cost	-	-	-	-	1,458,717	1,875,000	3,333,717
Accumulated depreciation	-	-	-	-	1,458,717	1,468,151	2,926,868
	-	-	-	-	-	406,849	406,849
Depreciation charge for the period	791,538	134,135	125,933	43,725	660,856	1,171,979	2,928,166
Closing net book value	2,282,364	876,982	542,400	285,956	2,101,744	18,491,795	24,581,241
As at December 31, 2017							
Cost	18,652,508	3,368,226	3,558,239	4,279,107	23,017,792	24,834,002	77,709,874
Accumulated depreciation	16,370,144	2,491,244	3,015,839	3,993,151	20,916,048	6,342,207	53,128,633
Net book value	2,282,364	876,982	542,400	285,956	2,101,744	18,491,795	24,581,241
Depreciation rate % per annum	10	10	10	20	33	20	

	June 30, 2017						
	Renovation of office premises	Furniture and fixtures	Office equipment	Communica-tion equipment	Computer equipment	Motor vehicles	Total
	Rupees						
As at July 1, 2016							
Cost	18,183,655	2,998,966	3,170,139	4,092,707	21,802,267	17,313,266	67,561,000
Accumulated depreciation	13,963,886	2,319,943	2,618,303	3,884,266	20,707,428	4,782,942	48,276,768
Net book value	4,219,769	679,023	551,836	208,441	1,094,839	12,530,324	19,284,232
Year ended June 30, 2017							
Opening net book value	4,219,769	679,023	551,836	208,441	1,094,839	12,530,324	19,284,232
Additions	468,853	294,150	388,100	151,400	2,536,897	6,172,190	10,011,590
Disposals							
Cost	-	242,890	-	-	184,455	2,957,657	3,385,002
Accumulated depreciation	-	201,258	-	-	130,362	885,364	1,216,984
	-	41,632	-	-	54,093	2,072,293	2,168,018
Depreciation charge for the year	1,614,720	238,424	271,603	65,160	1,136,843	2,740,801	6,067,551
Closing net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
As at June 30, 2017							
Cost	18,652,508	3,050,226	3,558,239	4,244,107	24,154,709	20,527,799	74,187,588
Accumulated depreciation	15,578,606	2,357,109	2,889,906	3,949,426	21,713,909	6,638,379	53,127,335
Net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
Depreciation rate % per annum	10	10	10	20	33	20	

5.1 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	------------ Rupees ------------					
Assets with book value of more than Rs. 50,000						
Motor Vehicles						**Related Party**
Honda Civic, 2012, Black	1,875,000	(1,468,151)	406,849	501,113	;ompany Polic	Raza Hussain Rizvi
Other assets with book value of less than Rs. 50,000						
EDP Equipment						**Outsiders**
Various	1,428,717	(1,428,717)	-	3,450	Negotiation	Knight Angle Computers
Printers - various	30,000	(30,000)	-	6,000	Negotiation	Fatima Computers
Total - December 31, 2017	3,333,717	(2,926,868)	406,849	510,563		
Total - June 30, 2017	3,385,002	(1,216,984)	2,168,018	2,361,680		

5.2 Cost and accumulated depreciation at the end of the year include Rs.39,112,461 (June 2017: Rs.30,604,893) in respect of fully depreciated assets still in use.

6 INTANGIBLE ASSETS

	December 31, 2017				
	Membership card - note 6.1	Computer software	Club Membership	Trading Rights Entitlement Certificates (TREC) - note 6.2	Total
	------------ Rupees ------------				
As at July 1, 2017					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(10,915,454)	(2,000,000)	(4,000,000)	(16,915,454)
Net book value	250,000	303,703	-	10,999,000	11,552,703
Period ended December 31, 2017					
Opening net book value	250,000	303,703	-	10,999,000	11,552,703
Amortisation charge / impairment for the period	-	(65,083)	-	-	(65,083)
Closing net book value	250,000	238,620	-	10,999,000	11,487,620
As at December 31, 2017					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(10,980,537)	(2,000,000)	(4,000,000)	(16,980,537)
Net book value	250,000	238,620	-	10,999,000	11,487,620
Amortisation rate % per annum	-	33.33	50	-	

	June 30, 2017				
	Membership card - note 6.1	Computer software	Club Membership	Trading Rights Entitlement Certificates (TREC) - note 6.2	Total
	------------ Rupees ------------				
As at July 1, 2016					
Cost	250,000	10,868,657	2,000,000	14,999,000	28,117,657
Accumulated amortisation / impairment	-	(10,842,103)	(2,000,000)	-	(12,842,103)
Net book value	250,000	26,554	-	14,999,000	15,275,554
Year ended June 30, 2017					
Opening net book value	250,000	26,554	-	14,999,000	15,275,554
Additions	-	350,500	-	-	350,500
Amortisation charge / impairment for the year	-	(73,351)	-	(4,000,000)	(4,073,351)
Closing net book value	250,000	303,703	-	10,999,000	11,552,703
As at June 30, 2017					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(10,915,454)	(2,000,000)	(4,000,000)	(16,915,454)
Net book value	250,000	303,703	-	10,999,000	11,552,703
Amortisation rate % per annum	-	33.33	50	-	

		Note	As at December 31, 2017	As at June 30, 2017
			------------ Rupees ------------	
6.1	Membership card of Pakistan Mercantile Exchange Limited		250,000	250,000

6.2 Trading Right Entitlement Certificates (TREC) comprise of:

	Note	As at December 31, 2017	As at June 30, 2017
TREC of Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited)		10,999,000	10,999,000
TREC of Pakistan Stock Exchange Limited (formerly: Lahore Stock Exchange Limited)	6.2.2	-	-
	6.2.1	10,999,000	10,999,000

6.2.1 These represent TRECs received during the financial year ended June 30, 2013 pursuant to the promulgation of Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (the Act).

6.2.2 During the year 2016, the Securities and Exchange Commission of Pakistan (SECP) approved the scheme of integration of Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) w.e.f January 11, 2016. Consequent to the afore-mentioned approval LSE and ISE have now been merged into Pakistan Stock Exchange Limited (PSX). Prior to integration of stock exchanges into PSX, the Company had Trading Right Entitlement Certificates (TRECs) of KSE and LSE. Accordingly, after the integration process, the Company has two TRECs of PSX. In accordance with the scheme of integration of stock exchanges, transfer of excess TREC should be exercised within two years of integration after which such TREC will lapse. This timeline expired subsequently in January 2018 and there are no active buyers in the market. Accordingly, LSE TREC was fully impaired during the year ended June 30, 2017.

6.3 Cost and accumulated amortisation at the end of the year include Rs. 12,828,659 (June 2017: Rs.12,828,659) in respect of fully amortised intangible assets still in use.

		Note	As at December 31, 2017	As at June 30, 2017
7	**LONG TERM INVESTMENTS**		------------ Rupees ------------	
	Available for sale			
	Pakistan Stock Exchange Limited 1,602,953 (June 2017: 1,602,953) ordinary shares of Rs. 10 each. Equity held 0.2% (June 2017: 0.2%)	7.1	35,906,547	41,164,238
			35,906,547	41,164,238

7.1 Pursuant to the promulgation of Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act) during financial year ended June 30, 2013, the Company was allotted 4,007,383 shares of Karachi Stock Exchange Limited (KSE). 40% of the allotted shares were received by the Company and remaining 60% were kept in a blocked CDC account maintained by KSE. Pursuant to the integration, the name of KSE had been changed to Pakistan Stock Exchange Limited (PSX).

During the year ended June 30, 2017, Disinvestment Committee of the Exchange had issued an invitation for Expression of Interest for acquiring upto 40% equity stake in PSX held blocked CDC Account. Thereafter bids were submitted by interested parties and as a result of the bidding process, share price of Rs 28 per share had been offered by the anchor investor / successful investor. Sale proceeds of the 40% shares sold, after retaining 10% of the sale price for one year to settle any outstanding liabilities of PSX in terms of Share Purchase Agreement (SPA), had been received by the Company in March 2017.

Moreover in June 2017, the Company further sold 801,477 shares of PSX (20% of the original holding), through Initial Public Offer (IPO), and the procedures for formal listing and quotation of PSX was concluded on June 29, 2017. As at December 31, 2017 the share of the PSX was valued at Rs 22.40 (June 2017: Rs 25.68), resulting in unrealised (loss) of Rs 5,257,691 (June 2017: unrealized gain of Rs 41,163,838) on remaining shares held by the Company. These shares are freezed in CDC on account of Base Minimum Capital requirements presecibed by the PSX.

		Note	As at December 31, 2017	As at June 30, 2017
			---------- Rupees ----------	
8	**LONG TERM DEPOSITS**			
	Deposits with:			
	LSE Financial Services Limited		50,000	630,000
	National Clearing Company of Pakistan Limited		1,550,000	1,050,000
	Pakistan Mercantile Exchange Limited		750,000	750,000
	NCEL Building Management (Private) Limited	8.1	2,500,000	2,500,000
	Pakistan Stock Exchange Limited			
	- Base Minimum Capital	8.2	2,100,000	23,000,000
	Others		4,664	4,664
			6,954,664	27,934,664

8.1 This represents advance given to NCEL Building Management (Private) Limited for acquiring office premises.

8.2 This represents amount deposited with Pakistan Stock Exchange Limited (PSX) on account of Base Minimum Capital prescribed by PSX. This deposit is in addition to the shares of PSX as mentioned in note 7 to these financial statements.

		Note	As at December 31, 2017	As at June 30, 2017
			---------- Rupees ----------	
9	**DEFERRED TAX ASSET - NET**			
	Deductible temporary differences arising in respect of:			
	- Unused tax losses	9.1	8,907,382	22,036,182
	- Provision for doubtful debts and other receivables	9.1	52,525,068	52,525,068
	- Provision for leave encashment		332,800	1,219,883
	Taxable temporary differences arising in respect of:			
	- Accelerated tax depreciation		31,286	25,304
			61,796,536	75,806,437

9.1 The Company has an aggregate amount of Rs. 28.36 million (June 2017: Rs. 84.5 million) [including unabsorbed tax depreciation and amortisation] in respect of available tax losses as at December 31, 2017 and has an aggregate amount of Rs. 708.28 million (June 2017: Rs 710.63 million) in respect of deductible temporary differences arising on provisions made against doubtful receivables on the same date.

While maintaining that deferred tax on deductible differences (provision for doubtful receivables) provides an opportunity for tax planning and the Company would be able to fully utilise them in the future years, management has taken a conservative view on the balance of deferred tax recognised as an asset against deductible temporary differences in the financial statements of the Company. The Company, nevertheless, retains the right to consider and evaluate on an ongoing basis tax planning opportunities with respect to provision write offs. Accordingly, on a conservative estimate basis the amount of deferred tax asset recognised against available tax losses and deductible temporary differences has been limited to Rs 61.79 million (June 2017: Rs 75.81 million) during the period.

In connection with the above, the management has prepared financial projections which have been approved by the Board of Directors of the Company. These projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. Key assumptions include market share of the Company, average commission rate, growth in market volumes, cost to income ratios, returns on funds deployed, timing of write offs etc. A significant change in the assumptions used may impact the realisability of the deferred tax asset.

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		Note	As at December 31, 2017	As at June 30, 2017
10	**TRADE DEBTS - NET**		---------- Rupees ----------	
	Considered good			
	Receivable from clients against purchase of marketable securities and commodity contracts	10.1	77,057,286	30,061,155
	Clearing balance with National Clearing Company of Pakistan Limited		-	55,741,717
			77,057,286	85,802,872
	Considered doubtful			
	Receivable from clients against purchase of marketable securities and commodity contracts		600,395,052	601,022,869
	Commission receivable		414,265	414,265
	Provision against doubtful debts	10.2	(586,088,752)	(588,438,571)
			14,720,565	12,998,563
			91,777,851	98,801,435

10.1 This includes amounts due from related parties as under:

Key management personnel	215	29,349
Other related parties and associated undertakings	4,502,380	4,403,788
	4,502,595	4,433,137

10.2 Provision against doubtful debts

	Note		
Balance as at July 01		588,438,571	585,386,441
Charge for the period		282,091	3,103,729
Reversal during the period		(2,631,910)	(51,599)
		(2,349,819)	3,052,130
Balance as at period / year end	10.2.1	586,088,752	588,438,571

10.2.1 This includes provisions of Rs. 4,403,935 (June 2017: Rs. 4,403,788) in respect of related parties.

10.2.2 Provision against doubtful debts has been made after considering the adjusted market value of listed equity securities amounting to Rs.19.918 million (June 2017: Rs. 15.647 million) held in custody by the Company against respective customers accounts.

10.3 Ageing Analysis

	Gross Amount	Provision Held	Net Amount
	----------	Rupees	----------
Upto 5 days	72,837,152	-	72,837,152
More than 5 but upto 14 days	623,187	9,311	613,876
More than 14 but upto 30 days	589,917	6,798	583,119
More than 30 but upto 60 days	231,388	657	230,731
More than 60 but upto 90 days	289,317	25,829	263,488
More than 90 days	603,295,642	586,046,157	17,249,485
	677,866,603	586,088,752	91,777,851

			As at December 31, 2017	As at June 30, 2017
10.4	**Customer Assets**		---------- Rupees ----------	
	Central Depository System		5,637,281,231	6,360,809,255
11	**CURRENT MATURITY OF LONG TERM LOAN**			
	IGI Holdings Limited (formerly IGI Insurance Limited) - parent company	11.1	69,859,738	69,859,738

11.1 During the year ended June 30, 2015, the Company had entered into a long term loan agreement with IGI Investment Bank Limited [now merged into IGI Holdings Limited (formerly IGI Insurance Limited)] for Rs. 85 million. Under the terms of the Loan Agreement, the loan was to be disbursed in multiple tranches, on various dates and amounts as mutually agreed by the parties to the agreement. The loan carries markup rate at 1 month KIBOR + 2% and was repayable at the earlier of the expiry of 3 years from the date of disbursement of first tranche of the loan or upon occurrence of any change in the shareholding of the Parent Company or the Board of Directors of the Parent Company that would result in change of control of the Parent Company from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. The Parent Company may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the due date. Subsequent to the period end, the shareholders of the Company in their extraordinary general meeting held on ___________, have approved extension in repayment of this loan alongwith mark-up till April 30, 2018. The outstanding balance of the entire amount is repayable by the Parent Company as at December 31, 2017.

	Note	As at December 31, 2017	As at June 30, 2017
12 LOANS AND ADVANCES		---------- Rupees	----------
Considered good			
Advances to employees	12.1	798,570	566,652
Others		1,702,218	873,768
		2,500,788	1,440,420

12.1 The advances to employees are given to meet personal and travelling expenses. These are granted to employees of the Company in accordance with their terms of employment and are recovered through deductions from salaries / against expense statements.

	Note	As at December 31, 2017	As at June 30, 2017
13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		---------- Rupees	----------
Pakistan Stock Exchange Limited		357,923	357,923
Exposure deposit with National Clearing Company of Pakistan Limited / Pakistan Stock Exchange Limited	13.1	228,750,000	205,750,000
Pakistan Mercantile Exchange Limited - margin deposit		4,741,452	4,644,871
Security deposits		2,690,840	2,648,140
Prepayments		3,324,402	720,418
		239,864,617	214,121,352

13.1 This represents the deposit held at the period end against exposures arising out of trading in securities in accordance with the regulations of the Pakistan Stock Exchange Limited. Interest is earned on the deposit at rates as determined by the Exchange. These deposits carry interest / mark-up at 3.5% (June 2017: 3.5%) per annum as at the period end.

	Note	As at December 31, 2017	As at June 30, 2017
14 ACCRUED MARK-UP - NET		---------- Rupees	----------
Considered good			
Accrued income on savings accounts, long term loans and exposure deposits	14.1	22,268,226	21,456,620
Considered doubtful			
Accrued mark-up income		69,947,808	69,947,808
Accrued income on other receivables		12,440,328	12,440,328
		82,388,136	82,388,136
Provision against doubtful accrued mark-up		(82,388,136)	(82,388,136)
		22,268,226	21,456,620

14.1 This includes markup receivable from the Parent Company, IGI Holdings Limited (formerly: IGI Insurance Limited) of Rs. 15.241 million (2017: Rs. 12.328 million). The entire amount of mark-up will be paid by IGI Holdings Limited at the time of settlement of the entire amount of loan balance.

	Note	As at December 31, 2017	As at June 30, 2017
		---------- Rupees ----------	
15 OTHER RECEIVABLES - NET			
Considered good			
Receivable from Pakistan Stock Exchange Limited	15.2	4,488,269	10,492,441
Others	15.3	1,328,050	1,467,372
		5,816,319	11,959,813
Considered doubtful			
Receivable against overdue reverse repurchase transaction	15.4	13,297,927	13,297,927
Others		26,506,756	26,506,756
		39,804,683	39,804,683
Provision against doubtful other receivables	15.1	(39,804,683)	(39,804,683)
		5,816,319	11,959,813

15.1 Provision against doubtful other receivables

Balance as at July 1	39,804,683	39,804,683
Charge for the period	-	-
Reversal during the period	-	-
Balance as at period / year end	39,804,683	39,804,683

15.2 This represents amount receivable from Pakistan Stock Exchange Limited (PSX) retained against disposal of equity holding in PSX, during the year ended June 30, 2017 (refer note 7.1).

15.3 This includes an amount of Rs.667,320 (June 2017: Rs. 806,042) due from related parties.

15.4 This represents receivable against overdue reverse repurchase transaction with another brokerage house. During financial year ended June 30, 2013, the borrower entered into a Settlement Agreement with the Company under which it acknowledged its liability to pay Rs 114 million and the related mark-up and also paid Rs 50 million against the release of certain shares held as collateral. The outstanding balance as at the previous reporting period was secured against certain shares listed on PSX and ten shops located at Fortress Stadium, Lahore. During the year ended June 30, 2015, these collaterals were sold by the Company. The remaining balance which is unsecured has been fully provided.

	Note	As at December 31, 2017	As at June 30, 2017
		---------- Rupees ----------	
16 CASH AND BANK BALANCES			
Cash in hand		17,380	13,978
Cash at bank			
Current accounts - non-interest bearing		14,823,499	44,690,844
Savings accounts	16.1	257,692,257	420,137,948
		272,515,756	464,828,792
	16.2	272,533,136	464,842,770

16.1 The savings accounts carry interest / mark-up ranging from 3.70% to 5.00% (June 2017: 3.70% to 5%) per annum.

16.2 This includes an amount of Rs. 259.292 million (June 2017: Rs. 418.428 million) representing clients' funds.

17 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

As at December 31, 2017	As at June 30, 2017		As at December 31, 2017	As at June 30, 2017
Number of shares			---------- Rupees ----------	
52,000,000	52,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	520,000,000	520,000,000

17.1 The parent company, IGI Holdings Limited (formerly: IGI Insurance Limited), holds 52,000,000 shares (June 2017: 52,000,000 shares).

18 ADVANCE AGAINST ISSUE OF PREFERENCE SHARES

During the financial year ended June 30, 2012, the Company received Rs. 650 million in the form of interest free Subordinated Loan from Mr. Syed Babar Ali, Chairman – IGI Holdings Limited (formerly: IGI Insurance Limited), the Parent Company, and a key sponsor of the Company. On June 29, 2012, the Company and Mr. Syed Babar Ali entered into an irrevocable Subscription Agreement to convert the Subordinated Loan into Preference Shares to be issued by the Company to Mr. Syed Babar Ali.

The Subscription Agreement provides for issue of 65,000,000 preference shares at the rate of Rs 10 per share and these shares will be non-voting, non-redeemable, non-convertible and non-cumulative. Further, under the Subscription Agreement, the Company is to take steps for issuance and allotment of preference shares to Mr. Syed Babar Ali and to complete all requisite formalities in that connection.

On April 18, 2014 and June 30, 2016 the Company had signed Addendums to the aforesaid Subscription Agreement to amend the terms for payment of dividend to the preference shareholder, as may be declared by the Company out of its distributable profits and the entitlement of preference shareholder in case of liquidation of the Company.

Consequent to the above, in case of change in management control of the Company, the preference shareholder shall be first paid dividend up to 10% of par value until the aggregate amount of preferential dividend paid equals Rs. 650 million and thereafter, 0.1% of par value. Further, in case of liquidation of the Company, preference shareholder shall have priority over ordinary shareholder to the extent of par value of preference shares held, less dividends paid on preference shares.

Since the Company is yet to complete formalities for issuance of the said preference shares, the amount has been reported as advance against issue of preference shares.

19 TRADE AND OTHER PAYABLES

	Note	As at December 31, 2017	As at June 30, 2017
		Rupees	
Payable against sale of marketable securities	19.1	376,372,906	615,532,173
Payable to National Clearing Company of Pakistan Limited (NCCPL)		68,200,978	-
Payable against profit on unutilised funds	19.2 & 19.4	5,616,075	3,917,117
Payable to IGI Holdings Limited (formerly: IGI Insurance Limited) - Parent Company	19.3	13,448,225	14,540,041
Accrued expenses	19.5	5,698,582	5,453,385
Provision for leave encashment		3,993,278	4,079,331
Bonus payable		-	10,913,882
Commission payable	19.6	2,471,983	3,457,161
Sales tax payable		81,176	2,247,871
Other payables		10,875,230	7,465,055
		486,758,433	667,606,016

19.1 This includes an amount due to key management personnel of Rs. 6,139,149 (June 2017: 4,829,941).

19.2 With effect from March 2015, the Company had been mandated by the Stock Exchange to pass on profit earned on unutilised funds of clients to the respective clients out of total profit accrued on such funds as may be mutually agreed in writing between the Company and its clients. The Company has revised its account opening forms which includes an agreement on the profit earned on unutilised funds on clients' assets from new clients. Further, the Company is in process of agreeing the same with its existing clients. The Company has recorded a liability based on management's best estimate of amount that may be eventually passed on to its clients. During the current period no amount has been credited to the sub-accounts of the customers.

19.3 This represents payables to related parties in relation to sharing of common expenses under Group Shared Services (GSS) agreement.

19.4 This includes profit payable to a related party of Rs 122 (June 2017: Rs 11,185).

19.5 This includes insurance expense payable to a related party of Rs. 0.9 million (June 2017: 1 million).

19.6 This includes commission withheld payable to key management personnel of Rs. 1 million (June 2017: 0.06 million).

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20 CONTINGENCIES

20.1 During financial year 2013, audit proceedings under section 177 of the Income Tax Ordinance, 2001 in relation to the Tax Year 2010 were concluded by the Deputy Commissioner Inland Revenue (DCIR) which led to an eventual tax demand of Rs. 6.672 million. The Company had filed an appeal with the Commissioner Inland Revenue (Appeals) against the said demand which was heard by the Commissioner. During the year ended June 30, 2014, Commissioner (Appeals) passed an order under which the Company had been allowed certain expenses which were disallowed by DCIR in earlier assessment. DCIR has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the said order. The Management also filed second appeal before Appellate Tribunal Inland Revenue. During the year ended June 30, 2017, the ATIR in their Order dated May 31, 2017 has remanded back the matter to the DCIR, with the direction to ascertain the true facts of transactions involved and after due verification allow the exemption clause of part - 1 of the second schedule to the Income Tax Ordinance, 2001 whereas ATIR rejected the appeal of the tax department and upheld the findings of CIR(A) whereby relief was allowed to the Company. The Company has submitted an application to the Deputy Commissioner Inland Revenue to give the appeal effect at the earliest.

20.2 During the financial year ended June 30, 2012, a brokerage house filed a lawsuit against the Company in the High Court of Sindh for recovery of Rs. 18.433 million together with mark-up on debit balances outstanding in its books and records on account of various transactions. Initially, the Company had filed a counter affidavit against the application filed by the Complainant to seek an interim order. During the financial year ended June 30, 2013, the Company filed a written Statement in this lawsuit, while the Plaintiff has filed a rejoinder to the counter affidavit filed by the Company. The Company has also filed a lawsuit against the same brokerage house and an ex-official of the Company in the High Court of Sindh to recover the outstanding balance appearing in the Company's books of account before provision. The court has issued notices to the defendants. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

20.3 During the financial year ended June 30, 2010, one of the customers of the Company filed a lawsuit against the Company before the High Court of Sindh for the recovery of Rs. 3.5 million along with damages of Rs. 100 million. The said lawsuit is counterblast to Company's suit for recovery of Rs. 0.97 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2010 before the Senior Civil Judge Karachi, South, which was subsequently transferred to the Honourable High Court of Sindh at Karachi, on Company's civil transfer application, moved under section 24 read with section 151 of Civil Procedure Code. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

20.4 During the financial year ended June 30, 2010, one of the customers of the Company had filed a lawsuit against the Company in the Court of Senior Civil Judge Karachi, South for the recovery of Rs. 12.6 million along with mark-up thereon. The said lawsuit is counterblast to Company's suit for recovery of money, declaration and permanent injunction for recovery of Rs. 3.3 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2009 before the Honourable High Court of Sindh. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

20.5 During the year ended June 30, 2009, a brokerage house filed suit before the Honourable Civil Judge, Lahore for declaration and permanent injunction against the Company. The brokerage house filed a contempt petition and a petition under section 33 of the Arbitration Act against the Company before the Honourable Civil Judge, Lahore. Furthermore the brokerage house also filed a civil revision before the Honourable Lahore High Court, Lahore Bench against order passed by the learned Civil Judge wherein the learned Civil Judge was pleased to dismiss the temporary injunction granted to the brokerage house, the said order was also affirmed in appeal. Further, the Company has filed a suit for recovery for Rs. 53.062 million along with liquidated damages and a petition before National Accountability Bureau (NAB) against the brokerage house. Both the management and legal counsel are of the view that there is a reasonable probability of Company's success in the lawsuit.

21 OPERATING REVENUE

	Note	Six months ended December 31, 2017	Year ended June 30, 2017
		---------- Rupees	----------
Brokerage from equity operations	21.1	41,745,552	154,231,952
Brokerage from commodity operations		2,551,400	9,472,015
Advisory and consulting fee		-	5,000,000
		44,296,952	168,703,967

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		Note	Six months ended December 31, 2017	Year ended June 30, 2017
21.1	**Brokerage from equity operations**		---------- Rupees	----------
	Retail		30,649,235	110,346,122
	Institution		11,096,317	43,885,830
			41,745,552	154,231,952
22	**OTHER OPERATING REVENUE**			
	Profit on savings accounts - net	22.1	5,197,950	12,419,929
	Income on deposit with Pakistan Stock Exchange Limited - net		3,625,933	5,785,275
	Income on deposit with Pakistan Mercantile Exchange Limited		38,240	80,839
	Dividend income		320,591	862,800
	CDC conversion charges and commission		1,671,319	4,827,099
	Income on term loan		2,911,889	5,756,923
			13,765,922	29,732,865
22.1	**PROFIT ON UNUTILISED FUNDS**			
	Gross revenue		6,896,908	16,337,046
	Payable against profit on unutilised funds	19.2	1,698,958	3,917,117
	Net revenue		5,197,950	12,419,929
23	**ADMINISTRATIVE AND OPERATING EXPENSES**			
	Salaries, allowances and other benefits		32,554,799	88,005,205
	Staff training		109,958	221,030
	Commission expense		1,343,524	6,681,425
	Insurance		1,051,928	2,197,690
	Repairs and maintenance		372,717	286,362
	Auditors' remuneration	23.3	1,908,000	1,292,790
	Rent and rates		4,205,008	7,817,280
	Legal and professional charges		3,695,025	5,981,392
	Printing and stationery		445,816	1,480,657
	Postage and telephone		1,654,558	3,351,701
	Travelling and conveyance		496,798	1,554,649
	Computer expenses		3,244,185	6,375,100
	Utilities		1,366,168	2,827,301
	Fees and subscription including stock exchange, clearing house and CDC charges		7,570,292	17,243,875
	Marketing		228,868	1,050,627
	Entertainment		1,282,557	2,813,218
	Depreciation - tangible assets	5	2,928,166	6,067,551
	Amortisation - intangible assets	6	65,083	73,351
	Others		1,167,971	4,059,120
			65,691,421	159,380,324

23.1 Certain common expenses (including salaries, allowances and other benefits, staff training, rentals, utilities, repair and maintenance and computer expenses) are charged to the Company, which are shown under respective administrative and operating expenses accounts, in accordance with the Group Shared Services (GSS) Cost Allocation Review Memorandum, between the Company and IGI Holdings Limited (formerly: IGI Insurance Limited).

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		Six months ended December 31, 2017	Year ended June 30, 2017
23.2	Number of employees at the end of the period / year	61	61
	Average number of employees during the period / year	63	59

		Note	Six months ended December 31, 2017	Year ended June 30, 2017
23.3	**Auditors' remuneration**		---------- Rupees ----------	
	Audit fee		500,000	350,000
	Special certifications and sundry services		1,228,000	717,790
	Out of pocket expenses		180,000	225,000
			1,908,000	1,292,790
24	**OTHER INCOME**			
	Gain on disposal of property and equipment		103,714	193,662
	Liabilities no longer required written back		-	227,438
	Others		80,595	1,523,852
			184,309	1,944,952
25	**TAXATION - NET**			
	Current - for the period / year		7,914,047	11,409,250
	Prior		1,652,039	-
	Deferred		14,009,901	7,239,615
		25.1	23,575,987	18,648,865

25.1 Relationship between tax expense and accounting (loss) / profit

This represents minimum tax u/s 113 of Income Tax Ordinance, 2001 and on income chargeable under Final Tax Regime (FTR). Therefore, a numerical tax reconciliation between tax expense and accounting loss has not been given.

		Note	Six months ended December 31, 2017	Year ended June 30, 2017
26	**(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**			
	(Loss) / profit for the year (Rupees)		(28,921,283)	83,349,913
	Weighted average number of ordinary shares outstanding		52,000,000	52,000,000
	(Loss) / earnings per share (Rupees)	26.1	(0.56)	1.60

26.1 There were no convertible dilutive potential ordinary shares in issue as at December 31, 2017 and June 30, 2017.

		Note	As at December 31, 2017	As at June 30, 2017
27	**CASH AND CASH EQUIVALENTS**		---------- Rupees ----------	
	Cash and bank balances	16	272,533,136	464,842,770

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28 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive Officer, Directors and Executives of the Company are as follows:

	December 31, 2017			June 30, 2017		
	Chief Executive Officer **	Director	Other Executives	Chief Executive Officer**	Director	Other Executives
	Rupees					
Managerial remuneration	-	1,464,516	8,758,064	-	2,516,129	12,029,707
Reimbursements / other allowances	-	69,017	1,549,584	-	123,703	2,896,721
Housing	-	659,034	3,941,128	-	1,132,260	5,413,393
Utilities	-	146,450	875,802	-	251,611	1,202,958
Commission	-	82,770	935,354	-	674,828	5,570,331
	-	2,421,787	16,059,932	-	4,698,531	27,113,110
Number of persons*	1**	1	18	1**	1	14*

* The number of persons includes those who resigned during the year.

** The current Chief Executive Officer is not drawing any remuneration from the Company.

28.1 The Executive Director and certain Executives of the Company are provided with free use of Company owned and maintained vehicles.

28.2 No meeting fee was paid to any of the Directors for attending the Board meetings (June 2017: Nil).

29 RELATED PARTY TRANSACTIONS

The Company has related party relationships with its parent company, associated undertakings, directors and key management personnel.

The following transactions were carried out with related parties during the year.

	December 31, 2017			June 30, 2017		
	Parent company	Key management personnel	Other related parties and associated undertakings	Parent company	Key management personnel	Other related parties and associated undertakings
Nature of transactions	Rupees					
Purchase of marketable securities for and on behalf of	-	245,762,590	769,811,718	-	156,214,723	1,474,846,267
Sale of marketable securities for and on behalf of	-	247,564,383	18,866,682	-	161,923,456	507,804
Brokerage income earned	-	298,477	970,984	-	417,815	2,690,965
Brokerage expense	-	-	-	205,346	-	-
Insurance expense paid to	-	-	1,021,928	-	-	2,197,690
Insurance claim received	-	-	-	-	-	75,000
Mark-up earned on long term loan	2,911,889	-	-	5,756,923	-	-
Mark-up received on long term loan	-	-	-	-	-	-
Advisory / consultancy income from	-	-	792,000	-	-	6,584,000
Disposal of fixed assets - at cost	-	1,875,000	-	-	1,934,555	127,027
Sale proceeds from disposals of fixed assets	-	501,113	-	-	1,338,729	-
Remuneration paid to	-	11,089,683	-	-	31,811,641	-
Receipt from sale of long term investment	-	-	-	-	-	11,743,388
GSS reimbursements from	-	-	2,731,790	-	-	6,619,911
GSS reimbursements to	-	-	13,050,081	-	-	22,516,800
Rent Expense	-	-	1,784,980	-	-	3,922,235

Particulars relating to the remuneration of the Chief Executive Officer and Directors who are key management personnel are disclosed in note 28 to these financial statements

The status of outstanding balances at year end of related parties is included in the respective notes to these financial statements.

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30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

30.1 Financial instruments by category

	December 31, 2017			
	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale	Total
FINANCIAL ASSETS	---------- Rupees ----------			
Non-current assets				
Long term investments	-	-	35,906,547	35,906,547
Long term deposits	-	6,954,664	-	6,954,664
	-	6,954,664	35,906,547	42,861,211
Current assets				
Trade debts - net	-	91,777,851	-	91,777,851
Current maturity of long term loan		69,859,738		69,859,738
Loans and advances	-	2,500,788	-	2,500,788
Trade deposits	-	236,540,215	-	236,540,215
Accrued mark-up - net	-	22,268,226	-	22,268,226
Other receivables - net	-	5,816,319	-	5,816,319
Cash and bank balances	-	272,533,136	-	272,533,136
	-	701,296,273	-	701,296,273
	-	708,250,937	35,906,547	744,157,484

	December 31, 2017		
	Financial liabilities at amortised cost	At fair value through profit or loss	Total
FINANCIAL LIABILITIES	---------- Rupees ----------		
Trade and other payables	479,065,191	-	479,065,191

	June 30, 2017			
	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale	Total
FINANCIAL ASSETS	---------- Rupees ----------			
Non-current assets				
Long term investments	-	-	41,164,238	41,164,238
Long term deposits	-	27,934,664	-	27,934,664
	-	27,934,664	41,164,238	69,098,902
Current assets				
Trade debts - net	-	98,801,435	-	98,801,435
Current maturity of long-term loan	-	69,859,738	-	69,859,738
Loans and advances	-	1,440,420	-	1,440,420
Trade deposits	-	213,043,011	-	213,043,011
Accrued mark-up - net	-	21,456,620	-	21,456,620
Other receivables - net	-	11,959,813	-	11,959,813
Cash and bank balances	-	464,842,770	-	464,842,770
	-	881,403,807	-	881,403,807
	-	909,338,471	41,164,238	950,502,709

	June 30, 2017		
	Financial liabilities at amortised cost	At fair value through profit or loss	Total
FINANCIAL LIABILITIES	---------- Rupees ----------		
Trade and other payables	661,106,200	-	661,106,200

30.2 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

30.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations.

Exposure to credit

Credit risk of the Company arises principally from the long-term loan, long-term deposits, trade debts, loans and advances, trade deposits, accrued mark-up, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. Except for provision made against the trade debts amounting to Rs. 586,088,752 (refer note 10.2), provision against accrued mark-up amounting to Rs. 82,388,136 (refer note 14) and provision against other receivables amounting to Rs. 39,804,683 (refer note 15.1), the Company does not expect to incur material credit losses on its financial assets. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	As at December 31, 2017	As at June 30, 2017
	------------ Rupees	------------
Long term deposits	6,954,664	27,934,664
Trade debts - net	91,777,851	98,801,435
Loans and advances	2,500,788	1,440,420
Current maturity of long term loan	69,859,738	69,859,738
Trade deposits	236,540,215	213,043,011
Accrued mark-up - net	22,268,226	21,456,620
Other receivables - net	5,816,319	11,959,813
Bank balances	272,515,756	464,828,792
	708,233,557	909,324,493

30.3.1 The aging for trade debts, accrued mark-up and other receivables at the balance sheet date is as follows:

	December 31, 2017			June 30, 2017		
	Gross	Provision	Net	Gross	Provision	Net
	----------	----------	---------- Rupees	----------	----------	----------
Past due 1-30 days	76,015,747	(16,109)	75,999,638	93,707,616	(2,124,188)	91,583,428
Past due 31 days -60 days	2,339,298	(657)	2,338,641	3,438,796	(512,827)	2,925,969
Past due 61 days -90 days	1,858,099	(25,829)	1,832,270	3,306,739	(587,835)	2,718,904
More than 90 days	747,930,823	(708,238,976)	39,691,847	742,396,107	(707,406,540)	34,989,567
	828,143,967	(708,281,571)	119,862,396	842,849,258	(710,631,390)	132,217,868

The provisions in respect of above debts have been made on debt amount exceeding the custody of equity securities held by the Company.

30.3.2 Bank Balances

The analysis below summarises the credit quality of the Company's bank balances

	As at December 31, 2017	As at June 30, 2017
	----- Rupees -----	
AAA	264,293,627	452,675,940
AA+	2,792,518	307,204
AA	-	2,423,734
AA-	70,285	29,397
A+	-	40,888
A-	5,359,326	9,351,629
	272,515,756	464,828,792

30.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Details of the industrial sector analysis of the trade debts are as follows:

	December 31, 2017		June 30, 2017	
	Rupees	Percentage	Rupees	Percentage
Services (including insurance)	30,688,578	33.44%	5,453,061	5.52%
Banking, capital market and financial institutions	37,014,891	40.33%	10,725,382	10.86%
Individuals	24,074,382	26.23%	26,881,275	27.21%
Clearing house	-	0.00%	55,741,717	56.41%
	91,777,851	100%	98,801,435	100%

30.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	As at December 31, 2017				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities		Rupees			
Trade and other payables	479,065,191	479,065,191	479,065,191	-	-

	As at June 30, 2017				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities		Rupees			
Trade and other payables	661,106,200	661,106,200	661,106,200	-	-

On the balance sheet date, the Company has cash and bank balances of Rs 272,533,136 (June 2017:

30.5 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument. The management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

30.5.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

30.5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate exposure arises from Long-term loan and bank balances in savings account.

At the balance sheet date, the interest rate risk profile of the Company's interest bearing financial instruments is:

	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
	Effective interest rate Percentage		Carrying amount ---- Rupees ----	
Financial assets				
Current maturity of long term loan	1 m KIBOR + 200 bps	1 m KIBOR + 200 bps	69,859,738	69,859,738
Trade deposits and short-term prepayments	3.5	4 to 5	233,491,452	210,394,871
Bank balance in savings account	3.7 to 5	3.7 to 5	257,692,257	420,137,948
Total			561,043,447	700,392,557
Financial liabilities				
Trade and other payables	0.93 to 1.25	0.94 to 1.25	376,372,906	615,532,173
Trade and other payables	Non-interest bearing	Non-interest bearing	102,692,285	45,574,027

The management of the Company estimates that a 1% increase in the market interest rate, with all factors remaining constant, would increase the Company's profit before tax by Rs. 5.610 million (June 2017: Rs. 7.004 million) and a 1% decrease would result in decrease in the Company's profit before tax by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

30.5.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

30.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

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The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibility;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

30.7 Fair value of financial instruments

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2017, the Company held the following financial instruments measured at fair value:

	As at December 31, 2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments	35,906,547	-	-

	As at June 30, 2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments	41,164,238	-	-

30.8 CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. Net capital requirements of the Company are set and regulated by the Pakistan Stock Exchange. These requirements are put into place to ensure sufficient solvency margins and are based on excess of current assets over liabilities.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company finances its operations through equity including advance against preference shares, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

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31 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

a) The Company purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, the Company may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the Company may sustain losses if the market value of the security is different from the contracted value of the transaction less any margin deposits that the Company has on hand. Where the customer operates through institutional delivery system, the Company is not exposed to this risk.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure are with the customers and other financial institutions. The Company seeks to control its credit risk through a variety of reporting and controls procedures, including establishing credit limits based upon a review of the counterparties' financial condition. The Company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

b) The Company enters into security transactions on behalf of its customers involving future settlement. The Company has entered into transactions that gives rise to future settlement, the unsettled amount as on December 31, 2017 of these future transactions is Rs. 609,625 (June 2017: Rs. 25,720). Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk for these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and controls procedures.

32 GENERAL

32.1 Date of authorisation

These financial statements were authorised for issue on 14 MAR 2018 by the Board of Directors of the Company.

32.2 Figures have been rounded off to the nearest rupee.

32.3 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purpose of better presentation. There were no material reclassifications during the period.

CHIEF EXECUTIVE OFFICER

DIRECTOR